

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor-Controller		(2) MEETING DATE January 24, 2006		(3) CONTACT/PHONE Gere Sibbach (805) 781-5035	
(4) SUBJECT Submittal of a request to approve a rate adjustment of 21.5% for Mid State Solid Waste & Recycling, Inc and conceptual approval of three year franchise extension.					
(5) SUMMARY OF REQUEST The Auditor-Controller is recommending a rate increase for Mid State Solid Waste & Recycling who provide service to customers in the areas of Creston, Pozo, Garden Farms, Santa Margarita and unincorporated areas around the Templeton CSD and City of Atascadero.					
(6) RECOMMENDED ACTION That your Board approve the new rate schedule to be effective March 1, 2006 and February 1, 2007, as detailed in exhibit A. Also, that staff be directed to return with contract documents to extend the franchise term for three more years and to incorporate other amendments as may be mutually agreed upon.					
(7) FUNDING SOURCE(S) Rate payers		(8) CURRENT YEAR COST N/A		(9) ANNUAL COST N/A	
(10) BUDGETED? <input type="checkbox"/> YES <input checked="" type="checkbox"/> N/A <input type="checkbox"/> NO					
(11) OTHER AGENCY/ADVISORY GROUP INVOLVEMENT (LIST): Public Works Solid Waste Coordinator					
(12) WILL REQUEST REQUIRE ADDITIONAL STAFF? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, How Many? _____ <input type="checkbox"/> Permanent _____ <input type="checkbox"/> Limited Term _____ <input type="checkbox"/> Contract _____ <input type="checkbox"/> Temporary Help _____					
(13) SUPERVISOR DISTRICT(S) 1st, 2nd, 3rd, 4th, 5th, ALL			(14) LOCATION MAP <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A		
(15) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Presentation <input type="checkbox"/> Board Business (Time Est. _____)			(16) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions (Orig + 4 copies) <input type="checkbox"/> Contracts (Orig + 4 copies) <input type="checkbox"/> Ordinances (Orig + 4 copies) <input checked="" type="checkbox"/> N/A		
(17) NEED EXTRA EXECUTED COPIES? <input type="checkbox"/> Number: _____ <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A			(18) APPROPRIATION TRANSFER REQUIRED? <input type="checkbox"/> Submitted <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A		

(19) ADMINISTRATIVE OFFICE REVIEW	<div style="font-size: 2em; font-family: cursive;">OK</div> <div style="font-size: 1.5em; font-family: cursive;">G. Wilcox</div> <div style="font-size: 3em; font-family: cursive; transform: rotate(-15deg); position: absolute; right: 0; bottom: 0;">B-8 (1-24-06)</div>
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GERE W. SIBBACH, CPA
Auditor-Controller
BILL ESTRADA
Assistant

TO: HONORABLE BOARD OF SUPERVISORS

FROM: GERE SIBBACH, AUDITOR-CONTROLLER *Cee*

DATE: JANUARY 24, 2006

SUBJECT: RATE ADJUSTMENT – MID STATE SOLID WASTE & RECYCLING SERVICES, INC.

Summary

The Auditor-Controller is recommending rate increases for Mid State Solid Waste & Recycling, servicing customers in the areas of Creston, Pozo, Garden Farms, Santa Margarita and unincorporated areas around the Templeton CSD and City of Atascadero. The recommended increase is for 15% effective March 1, 2006 and then another 6.5% for a total of 21.5% to be effective February 1, 2007. The Auditor also recommends an additional three years on the franchise, and to direct staff to bring back appropriate contract amendments for approval by the Board.

Recommendations

That your Board approve the new rate schedules to be effective March 1, 2006 and February 1, 2007, as detailed in the Exhibit below for the following company:

<u>Exhibit</u>	<u>Company Name</u>	<u>Type of Adjustment</u>	<u>Areas Served</u>
A	Mid State Solid Waste & Recycling	Rate Increase – See Exhibit A	Creston, Pozo, Garden Farms, Santa Margarita and unincorporated areas around Templeton CSD and the City of Atascadero. (MAP A)

We further recommend that staff be instructed to bring back to your Board an amendment to the current franchise agreement to extend its effective period for three more years, and to incorporate improvements to performance standards and other terms as are mutually agreeable to the operator and to county solid waste staff.

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Discussion

The County's practice for garbage company rate adjustments has been to make a periodic in depth study of all revenues and expenses (a base rate study), followed by semi-automatic adjustments of 50% of the CPI index in following years. Mid State has not had a base rate adjustment since the current operator took over the franchise in August of 2001, and the previous operator was due for a three-year base study at that time. Base rate adjustments are intended to provide an efficient operator with a reasonable rate of return as required under the franchise agreement with the County.

Mid State requested a base rate increase of 20.2% on August 8, 2005. Our review of the company's financial information has since confirmed that a substantial increase is needed to restore a reasonable rate of return. Receiving only 50% of the CPI since the last base year adjustment let the profit margin slowly decline. Even more significantly, Mid State has provided relatively expensive new green waste collection and curbside recycling pickup in many of their areas. These services were requested by the County in order to help meet the waste reduction goals mandated by AB939. Rate increases provided at the time these services were initiated were not sufficient to recover the entire cost of service. It is also the case that as people utilize more of the recycling services, they are able to make do with a smaller waste disposal bin, and thus reduce their monthly payments to the garbage collector.

Our intent is to restore an operating cost margin of approximately .92, or a rate of return of around 8%, as is comparable to the other County regulated solid waste franchises. Based on our analysis we believe an overall revenue increase of 19% is required. The operator suggested that the impact on his customers could be mitigated to some extent by phasing the increase to be 15% immediately, followed by 4% more about a year later. Since another year of CPI will have occurred by then, we are proposing that another 2.5% be added on for the second adjustment. The ultimate result would then be a total of 21.5% as of February 1, 2007.

Among the information that we reviewed was a time study covering a four-week period for all routes served by Mid State. Labor and trucking expenses are by far the largest proportion of costs for a garbage company. They found that it takes substantially more labor and truck time (as much as 74% more) to serve customers in their more rural areas than in the more urban areas such as Templeton. Even taking into account that green waste collection is not offered in the outlying areas, the time differential is substantial because of the larger distances between customers along the rural routes. Therefore we find that it is appropriate to levy rates that are higher for the County area rural customers than urban customers, and rates that will be higher for all County area customers than for those Mid State customers residing within the Templeton Community Services District.

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In order to better reflect the actual costs of services, the rate schedules we propose have increases for residential customers ranging from a low of 11.5% to a high of 30.7%. See the detailed breakdown on Exhibit B. The larger percentages are for rural routes and smaller for urban routes. The total additional revenue is projected to approximate 21.5%. Commercial customers will all experience increases of 15% plus another 6.5% for a total of 21.5%. The company has also committed to providing curbside recycling bins for all commercial customers, as they do for residential customers.

Franchise Extension

As mentioned above, Mid State has been offering significant levels of recycling and some green waste services in the more rural areas of the County for over two years. This has required additional capital investment for trucks and for bins provided to the customers. An extension will give the operator more time to amortize and recover these capital investments.

Other Agency Involvement/Impact

Auditor-Controller's staff has worked with the County's Public Works Solid Waste Coordinator. We have notified the County Environmental Health Director of these recommendations.

Financial Considerations

The County will receive a slight increase in franchise fee revenues; overall there will be no significant financial impact to the County budget.

Results

Rate adjustments enable garbage companies to maintain reasonable profit margins while continuing to provide vital solid waste collection services.

Attachments

Schedule

Exhibit A	Mid State Solid Waste & Recycling Proposed Rate Schedule
Exhibit B	Breakdown of individual residential rates by route
MAP A	Map of the Unincorporated Areas of Creston, Pozo, Garden Farms, Santa Margarita, areas outside Templeton CSD and the City of Atascadero

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MID STATE SOLID WASTE & RECYCLING SERVICES, INC. - RECOMMENDED RATE INCREASE				
EFFECTIVE DATE: MARCH 1, 2006 and February 1, 2007 (consecutively)				
URBAN & RURAL SANTA MARGARITA, CRESTON, RURAL TEMPLETON AREA, POZO, LA PANZA, PARK HILL, HUER HUERO, SIMMLER & ATASCADERO FRINGE AREA				
SERVICE DESCRIPTION	PICKUPS PER WEEK	CURRENT RATE	PROPOSED MONTHLY RATE as of 03/01/06	PROPOSED MONTHLY RATE as of 02/01/07
Monthly service rates for residential customers includes the rental fee for the cart. Residential customers must use containers provided by the garbage company.				
URBAN RESIDENTIAL:		Monthly		
32 Gallon Carts	1	\$23.20	\$25.65	\$27.30
64 Gallon Carts	1	\$35.80	\$38.15	\$39.90
96 Gallon Carts	1	\$45.25	\$50.65	\$52.50
For urban residential customers in Santa Margarita, Garden Farms and the fringe area of Atascadero, the rate includes weekly collection of trash, greenwaste and recycling in containers provided by Mid State Solid Waste.				
RURAL RESIDENTIAL: Creston, Rural Templeton, Pozo, La Panza, Park Hill, Huer Huero, Simmler, etc				
32 Gallon Service (1 Can)	1	\$21.65	\$26.20	\$28.30
64 Gallon Service (2 Cans)	1	\$31.95	\$38.95	\$41.15
96 Gallon Service (3 Cans)	1	\$43.10	\$51.70	\$54.00
For rural residential customers in Creston, Rural Templeton, Pozo, La Panza, Park Hill, Huer Huero and Simmler, the rate includes weekly collection of trash and every other week collection of recycling in containers provided by Mid State Solid Waste.				
RURAL COMMERCIAL: Creston, Rural Templeton, Pozo, La Panza, Park Hill, Huer Huero, Simmler, etc				
1 yd Dumpster	1	\$90.15	\$103.65	\$109.55
1 yd Dumpster	2	\$169.75	\$195.20	\$206.25
1 yd Dumpster	3	\$249.30	\$286.70	\$302.90
1 yd Dumpster	4	\$328.90	\$378.25	\$399.60
1 yd Dumpster	5	\$408.55	\$469.85	\$496.40
1 yd Dumpster	6	\$487.95	\$561.15	\$592.85
1.5 yd Dumpster	1	\$103.85	\$119.45	\$126.20
1.5 yd Dumpster	2	\$195.85	\$225.25	\$237.95
1.5 yd Dumpster	3	\$287.95	\$331.15	\$349.85
1.5 yd Dumpster	4	\$380.05	\$437.05	\$461.75
1.5 yd Dumpster	5	\$472.15	\$542.95	\$573.65
1.5 yd Dumpster	6	\$564.20	\$648.85	\$685.50
2 yd Dumpster	1	\$122.15	\$140.45	\$148.40
2 yd Dumpster	2	\$232.15	\$266.95	\$282.05
2 yd Dumpster	3	\$342.50	\$393.90	\$416.15
2 yd Dumpster	4	\$452.55	\$520.45	\$549.85
2 yd Dumpster	5	\$562.75	\$647.15	\$683.75
2 yd Dumpster	6	\$672.90	\$773.85	\$817.55

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MID STATE SOLID WASTE & RECYCLING SERVICES, INC. - RECOMMENDED RATE INCREASE				
EFFECTIVE DATE: MARCH 1, 2006 and February 1, 2007 (consecutively)				
URBAN & RURAL SANTA MARGARITA, CRESTON, RURAL TEMPLETON AREA, POZO, LA PANZA, PARK HILL, HUER HUERO, SIMMLER & ATASCADERO FRINGE AREA				
SERVICE DESCRIPTION	PICKUPS PER WEEK	CURRENT RATE	PROPOSED MONTHLY RATE as of 03/01/06	PROPOSED MONTHLY RATE as of 02/01/07
RURAL COMMERCIAL (Con't):		Monthly		
3 yd Dumpster	1	\$144.65	\$166.35	\$175.75
3 yd Dumpster	2	\$276.80	\$318.30	\$336.30
3 yd Dumpster	3	\$408.80	\$470.10	\$496.70
3 yd Dumpster	4	\$540.90	\$622.05	\$657.20
3 yd Dumpster	5	\$672.95	\$773.90	\$817.65
3 yd Dumpster	6	\$805.00	\$925.75	\$978.10
4 yd Dumpster	1	\$188.90	\$217.25	\$229.50
4 yd Dumpster	2	\$364.45	\$419.10	\$442.80
4 yd Dumpster	3	\$540.00	\$621.00	\$656.10
4 yd Dumpster	4	\$715.60	\$822.95	\$869.45
4 yd Dumpster	5	\$891.10	\$1,024.75	\$1,082.70
4 yd Dumpster	6	\$1,066.60	\$1,226.60	\$1,295.90
6 yd Dumpster	1	\$242.45	\$278.80	\$294.60
6 yd Dumpster	2	\$469.00	\$539.35	\$569.85
6 yd Dumpster	3	\$695.60	\$799.95	\$845.15
6 yd Dumpster	4	\$780.40	\$897.45	\$948.20
6 yd Dumpster	5	\$1,135.95	\$1,306.35	\$1,380.20
6 yd Dumpster	6	\$1,375.30	\$1,581.60	\$1,671.00
URBAN COMMERCIAL:		Monthly		
For urban commercial customers in Santa Margarita, Garden Farms and the fringe area of Atascadero, the rate includes weekly collection of recycling in containers provided by Mid State Solid Waste.				
32 Gallon Waste Cart	1	\$17.50	\$20.15	\$21.25
64 Gallon Waste Cart	1	\$30.10	\$34.60	\$36.55
96 Gallon Waste Cart	1	\$40.15	\$46.15	\$48.80
1 yd Dumpster	1	\$74.75	\$85.95	\$90.80
1 yd Dumpster	2	\$138.40	\$159.15	\$168.15
1 yd Dumpster	3	\$202.15	\$232.45	\$245.60
1 yd Dumpster	4	\$265.80	\$305.65	\$322.95
1 yd Dumpster	5	\$329.65	\$379.10	\$400.50
1 yd Dumpster	6	\$393.15	\$452.10	\$477.70
1.5 yd Dumpster	1	\$87.00	\$100.05	\$105.70
1.5 yd Dumpster	2	\$161.55	\$185.80	\$196.30
1.5 yd Dumpster	3	\$236.20	\$271.65	\$287.00
1.5 yd Dumpster	4	\$310.85	\$357.50	\$377.70
1.5 yd Dumpster	5	\$385.55	\$443.40	\$468.45
1.5 yd Dumpster	6	\$460.15	\$529.15	\$559.10
2 yd Dumpster	1	\$98.75	\$113.55	\$120.00
2 yd Dumpster	2	\$185.15	\$212.90	\$224.95
2 yd Dumpster	3	\$271.25	\$311.95	\$329.55
2 yd Dumpster	4	\$357.55	\$411.20	\$434.40
2 yd Dumpster	5	\$443.85	\$510.45	\$539.30
2 yd Dumpster	6	\$530.15	\$609.65	\$644.15

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MID STATE SOLID WASTE & RECYCLING SERVICES, INC. - RECOMMENDED RATE INCREASE				
EFFECTIVE DATE: MARCH 1, 2006 and February 1, 2007 (consecutively)				
URBAN & RURAL SANTA MARGARITA, CRESTON, RURAL TEMPLETON AREA, POZO, LA PANZA, PARK HILL, HUER HUERO, SIMMLER & ATASCADERO FRINGE AREA				
SERVICE DESCRIPTION	PICKUPS PER WEEK	CURRENT RATE	PROPOSED MONTHLY RATE as of 03/01/06	PROPOSED MONTHLY RATE as of 02/01/07
URBAN COMMERCIAL (Con't):		Monthly		
3 yd Dumpster	1	\$122.50	\$140.90	\$148.85
3 yd Dumpster	2	\$230.85	\$265.50	\$280.50
3 yd Dumpster	3	\$339.00	\$389.85	\$411.90
3 yd Dumpster	4	\$450.50	\$518.10	\$547.35
3 yd Dumpster	5	\$559.90	\$643.90	\$680.30
3 yd Dumpster	6	\$663.80	\$763.35	\$806.50
4 yd Dumpster	1	\$146.55	\$168.55	\$178.05
4 yd Dumpster	2	\$280.55	\$322.65	\$340.85
4 yd Dumpster	3	\$411.00	\$472.65	\$499.35
4 yd Dumpster	4	\$544.20	\$625.85	\$661.20
4 yd Dumpster	5	\$675.65	\$777.00	\$820.90
4 yd Dumpster	6	\$807.85	\$929.05	\$981.55
6 yd Dumpster	1	\$187.30	\$215.40	\$227.55
6 yd Dumpster	2	\$358.00	\$411.70	\$434.95
6 yd Dumpster	3	\$486.15	\$559.05	\$590.65
6 yd Dumpster	4	\$699.65	\$804.60	\$850.05
6 yd Dumpster	5	\$870.35	\$1,000.90	\$1,057.50
6 yd Dumpster	6	\$1,041.20	\$1,197.40	\$1,265.05
As of March 1, 2006, all commercial customers rates in Creston, Rural Templeton, Pozo, La Panza, Park Hill, Huer Huero and Simmler, include weekly collection of trash and every other week collection of recycling in containers provided by Mid State Solid Waste				
SPECIAL PURPOSE FEES - ALL AREAS, ALL CUSTOMERS (Unless Otherwise Indicated):				
Temporary Bin Service: (One time use - less than one month)				
2 Yard Bin	Per Occurrence	\$52.80	\$60.70	\$64.15
3 Yard Bin	Per Occurrence	\$63.30	\$72.80	\$76.90
On Call Service (For areas outside the Urban Reserve Line)				
2 Yard Bin (Monthly Rental Fee)	Monthly	\$16.35	\$18.80	\$19.85
3 Yard Bin (Monthly Rental Fee)	Monthly	\$22.15	\$25.45	\$26.90
Plus fee for emptying each time:				
2 Yards	Per Occurrence	\$52.80	\$60.70	\$64.15
3 Yards	Per Occurrence	\$63.30	\$72.80	\$76.90
Commercial Container - Pull Out	Per Occurrence	\$2.85	\$3.30	\$3.45
Removal Fee - Container or Cart	Per Occurrence	\$28.05	\$32.25	\$34.10
Redelivery Fee - Container or Cart	Per Occurrence	\$28.05	\$32.25	\$34.10
Go Back Commercial (established customers)	Per Occurrence	\$6.15	\$7.05	\$7.45
Go Back Residential (established customers)	Per Occurrence	\$3.90	\$4.50	\$4.75
Lock-Bar Set-Up	Per Occurrence	\$28.05	\$32.25	\$34.10
Lock-Bar Set-Up Plus Key & Lock	Per Occurrence	\$33.60	\$38.65	\$40.80
Unreturned Carts - 32 Gallons	Per Occurrence	\$44.80	\$51.50	\$54.45
Unreturned Carts - 60 Gallons	Per Occurrence	\$61.65	\$70.90	\$74.90
Unreturned Carts - 90 Gallons	Per Occurrence	\$67.15	\$77.20	\$81.60

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MID STATE SOLID WASTE & RECYCLING SERVICES, INC. - RECOMMENDED RATE INCREASE				
EFFECTIVE DATE: MARCH 1, 2006 and February 1, 2007 (consecutively)				
URBAN & RURAL SANTA MARGARITA, CRESTON, RURAL TEMPLETON AREA, POZO, LA PANZA, PARK HILL, HUER HUERO, SIMMLER & ATASCADERO FRINGE AREA				
SERVICE DESCRIPTION	PICKUPS PER WEEK	CURRENT RATE	PROPOSED MONTHLY RATE as of 03/01/06	PROPOSED MONTHLY RATE as of 02/01/07
SPECIAL PURPOSE FEES - ALL AREAS, ALL CUSTOMERS (Con't):				
Walk-In Fee	Per Occurrence	\$2.25	\$2.60	\$2.75
Unlocking Fee	Per Occurrence	\$1.50	\$1.75	\$1.80
Drive -In Fee, per 100 Feet ¹	1	\$3.40	\$3.90	\$4.15
Drive -In Fee, per 200 Feet ¹	1	\$6.75	\$7.75	\$8.20
Drive -In Fee, per 300 Feet ¹	1	\$9.75	\$11.20	\$11.85
Labor - Per Hour	Per Occurrence	\$64.15	\$73.75	\$77.95
Card Board Service - Commercial Only				
(2 yard container - 1 time per week)	1	\$26.75	\$30.75	\$32.50
Return Check Charge	Per Occurrence	\$11.85	\$13.65	\$14.40
Exchange Fee - Containers	Per Occurrence	\$48.15	\$55.35	\$58.50
Car Tire	Per Item	\$5.35	\$6.15	\$6.50
Car Tire, With Rim	Per Item	\$7.50	\$8.65	\$9.10
Extra Yard of Material Pick-up	Per Item	\$9.65	\$11.10	\$11.70
Extra Can Pick-up	Per Item	\$3.70	\$4.25	\$4.50
Mattress-Twin	Per Item	\$18.20	\$20.95	\$22.10
Mattress-Full	Per Item	\$21.40	\$24.60	\$26.00
Mattress-King or Queen	Per Item	\$23.50	\$27.05	\$28.55
<p>1 "Drive-In Fee" refers to the charge imposed when a waste collection truck is required to drive off the roadway and onto a customer's property to collect waste. Drive-In also describes waste collection at the curbside of rural or remote areas.</p>				
<p>This rate increase is approximately : <u>21.50%</u></p> <p>Effective Dates: <u>03/01/06 and 02/01/07</u></p> <p>## Rounded to the nearest nickel</p>				
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Exhibit B Mid State Garbage Residential Rate Revenues

	Current				Yr 1 Proposal				Yr 2 Proposal				
	-----				Incr	New			Incr	New			
	#	Cust	Rate	Revenue	Tier^	Factor	Rate	Revenue	Tier^	Factor	Rate	Revenue	Tier^
Urban													
32 Gal	487		23.20	11,298		10.5%	25.65	12,492		17.7%	27.30	13,295	
60 Gal	303		35.80	10,847	12.60	6.6%	38.15	11,559	12.50	11.5%	39.90	12,090	12.60
90 gal	121		45.25	5,475	9.45	11.9%	50.65	6,129	12.50	16.0%	52.50	6,353	12.60
Urban Total	911			27,621				30,180				31,737	
Rural													
32 Gal	423		21.65	9,158		21.0%	26.20	11,083		30.7%	28.30	11,971	
60 Gal	293		31.95	9,361	10.30	21.9%	38.95	11,412	12.75	28.8%	41.15	12,057	12.85
90 gal	182		43.10	7,844	11.15	20.0%	51.70	9,409	12.75	25.3%	54.00	9,828	12.85
Rural Total	898			26,364				31,904				33,856	
Grand Total	1809			53,985				62,084				65,593	

Revenue Requirements, Yr1, Yr2

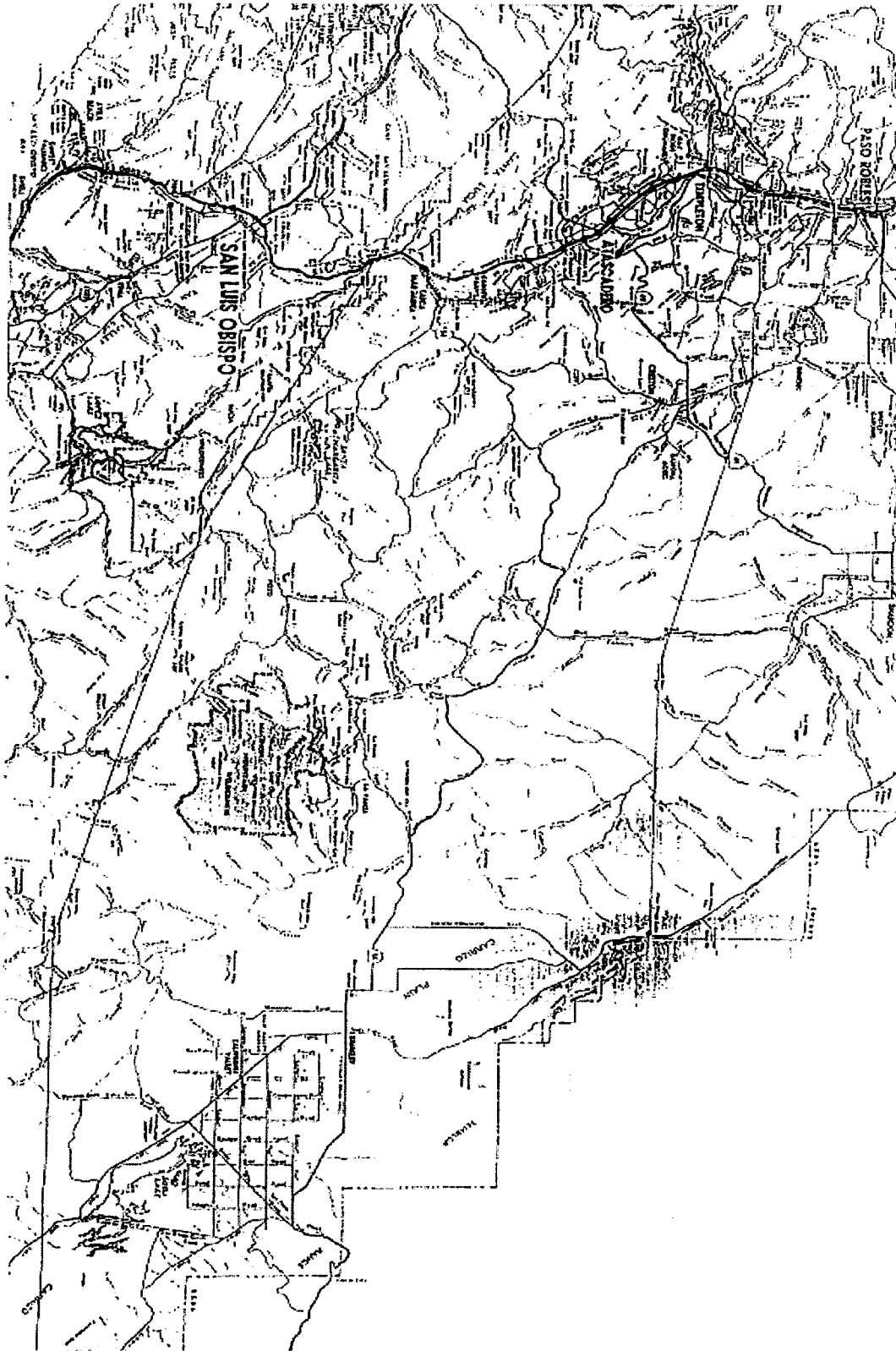
Grand Total x gross rate increase

Year 1 53,985 115.0% 62,082

Year 2 53,985 121.5% 65,591

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MAP A – Mid State Solid Waste & Recycling



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